

ARTICLE APPEARED
ON PAGE 25

NEWSDAY (NY)
18 July 1982

Costs Difficult to Compare

Newsday Washington Bureau

Washington — Trying to estimate just how much the Soviet Union actually spends on defense is one of the most complex and controversial issues in the defense debate.

The Central Intelligence Agency says that since 1970 the Soviets have been outspending the United States by more than 50 per cent a year. That estimate has become a key point for many who argue that the United States must dramatically increase its defense spending. But some say the CIA figures exaggerate Soviet defense spending, and others say they are actually too low.

A recent study by the Carnegie Endowment for International Peace concluded that there are two major difficulties in trying to assess Soviet defense spending and comparing it to U.S. spending: finding out what resources, and how much money, the Soviets are actually putting into the military, and accurately comparing the true value of resources devoted to defense in societies and economic systems as different as the United States and the USSR.

The Soviet Union, of course, does not publish its military budget in the accuracy or detail required of the Pentagon. Most analysts agree that the public Soviet figures are no more than propaganda designed to give a very low defense spending estimate. A major part of the

CIA effort goes to determining just what the Soviets are producing.

The second problem — comparing relative costs — is even more difficult. The CIA has attempted to compile the ruble costs of Soviet products and then to interpolate the costs of those products into dollars. But there are inherent difficulties. For instance, Soviet manpower costs are considerably less than those in the U.S. military. Taking the much larger Soviet Army and calculating what it would cost the United States to maintain it in dollars produces a higher figure because U.S. manpower costs are higher. Trying to estimate the cost of producing technology is equally difficult.

The CIA relies on the U.S. defense industry to help it estimate the costs of producing Soviet weapons. A company like Grumman might be asked how much it would cost to manufacture and assemble the components of Soviet aircraft. But the agency must make some arbitrary adjustments to compensate for obvious cost differences. For instance, the agency says that expensive Soviet manufacturing practices, such as hand wiring, must be excluded from the estimate.

One critic, Franklyn D. Holzman, professor of economics at Tufts University, claims that the CIA overestimates the dollar costs of both Soviet manpower and equipment. He also claims that the CIA estimates do not sufficiently compensate

for the higher level of education and training of the average American soldier compared to the Soviet soldier. And, he says, there is a systematic overestimation of the quality of Soviet weapons that leads to an overvaluation of their worth.

"It is a serious disservice to our policy-makers and the public to have the national security debates use the CIA dollar comparison, particularly as they are presently calculated," writes Holzman. He suggests that the CIA could present a more accurate picture of defense spending if it published figures that showed the ruble value of the U.S. defense effort as well as the dollar value of the Soviet defense effort.

But other critics of the CIA defense estimate say it underestimates Soviet defense spending. William T. Lee, a former CIA analyst, argues that the agency's approach is not valid and should rely more on published Soviet data on industrial output, and the costs of labor, capital and materials. Lee argues that the CIA relies too much on defense firms in making the cost estimates.

The Carnegie report concludes that there are "serious problems" in making the cost comparisons. It says, "Spending comparisons are of limited value, these limitations have been overlooked in the political debate, and a more realistic assessment of the Soviet-American military balance must focus on other considerations."

—Jim Klarfeld